



## State of Arizona

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# Governor Brewer Addresses Tucson Chamber of Commerce

TUCSON – Arizona Governor Jan Brewer is speaking today before several hundred attendees at the Tucson Chamber of Commerce. The following are her prepared remarks :

"I want to thank Jack Camper and his incredible Board of Directors for their wonderful hospitality and invitation to speak with you here today.

And I want to thank Tim Bee and my entire Southern Arizona staff for working their tails off on behalf of the citizens of southern Arizona – don't they do great work?!

I want you all to know this is my 5<sup>th</sup> trip to Tucson as Governor. That means that I've been here enough that Legislators are beginning to worry that we are plotting to move the Capitol from Phoenix back to Tucson! Maybe someday...let me get a handle on this budget crisis first...

Since becoming Governor in January, a lot of people tell me how SORRY they feel for me! You know, how awful this budget is that I inherited, and how bad the economy is, and how I'm left with so many difficult decisions during these hard times. But the truth is, I have been through difficult budgets before.

When I was first elected to higher office in 1982, our state's economy was dealing with a substantial recession, but we soon found a way to full recovery.

When I was first elected to the Maricopa County Board of Supervisors, the County was on the verge of bankruptcy (they had to borrow money just to make payroll)... but once again, we found our way and soon we were recognized as the best run County in the United States by Governing magazine.

So here we are again, in the midst of another economic downturn. Yes, the numbers are a little bit larger this time. But the formula for success remains the SAME – our State must pay its bills, dig itself out of debt, and rein in spending on a more permanent basis so that revenues can eventually catch up with expenditures.

The last time that revenues and expenditures were truly balanced was in 2006. The state General Fund was roughly about \$9 billion, and was growing by about 16%. Mind you, population and inflation growth combined was 9.2%. So what was I saying in 2006? In preparation for today I reviewed a couple of speeches I provided for Chambers of Commerce in 2006 – here are some excerpts, and I quote:

"The recent budget proposals by Governor Napolitano and some in the Legislature would [further] increase Arizona's future debt obligations to the tune of hundreds of millions of dollars. That's a lot of debt. And when those debts come

due, everyone here knows that our budget problems could become so exacerbated, we may have difficulty meeting our mandated programs for education and health care dollars..."

Friends, I'm not here to pat myself on the back for forecasting several years ago the kind of troubles we would be facing today. I don't celebrate our state's agony, and I am furious that so many that have lost their jobs continue to struggle to find new and gainful employment.

In fact, many legislators were warning for years of the exact same consequences should fiscal prudence not be restored.

So, where do we currently stand financially?

For this fiscal year we are currently working on, fiscal year 2010, we have more than \$10 billion in spending obligations, and roughly \$7 billion in revenues. If we don't adjust spending, and don't commit to ANY new spending, we simply pay for what we were already obligated to fund, Arizona's spending obligations are estimated at \$14 billion by FY2014, with only \$10 billion in revenues.

So we're left with some very difficult choices to make. Your Arizona lawmakers and I must come up with about \$3 billion this year, and many of the budget accounting gimmicks, or math tricks, have already been utilized. So what is left? Basically, we have four options left on the table: federal stimulus funds, spending cuts, a tax increase, and massive borrowing.

As I have described to legislative leaders, approximately \$1 billion out of the \$3 billion can be corrected temporarily with federal stimulus funds. A total of about a billion dollars can be permanently shed from state spending, and we have about \$500 million left to reach that total. And the last billion will need to be made up for with a temporary tax increase. Some debt financing may be necessary, particularly if state revenues continue to languish and mandated spending increases continue, like AHCCCS and Corrections.

But for every \$100 million the state borrows, you can plan to spend about \$10 million carrying that debt load for 20 to 30 years forward. So borrowing today cannot be the only solution.

The point is this – on top of Arizona's recent inability to rein in its insatiable appetite for new government spending, we now find ourselves in the midst of a perfect storm,...a major economic downturn for which our State was not at all prepared.

Many accounting gimmicks had already been enacted, many state buildings had already been financed so funds could be used elsewhere on operations, and the state General Fund had already been committed to pay for the spending mandates of the federal government, the courts, and the voter-approved initiatives.

Now in Arizona, we must take a different path. We must take a path of responsibility,... of courage.

I believe our state government must pay its overdue bills, stop mortgaging our children's future, and be more honest and more realistic when we prepare to confront the critical challenges of tomorrow.

And further I believe that this legislature has the ability and the fortitude to ACT.

You all know that I've been pushing since March a 5 point plan to balance the budget.

If you are not familiar, get on my website and read the details. The biggest headline of course has been the 5<sup>th</sup> and final plank of the proposal, my call for a temporary tax increase of \$1 billion. The four more important planks are more important but less controversial. Particularly important is structural budget reforms that would limit our spending habits when economic times are good.

Now, I have not specified which tax to increase. Some have proposed new transaction taxes on services, and others have proposed major increases to income taxes. I am willing to negotiate with my colleagues in the Legislature, but it is becoming increasingly clear that a temporary increase in the state sales tax has the best chance of successful approval by the voters if the votes for legislative approval cannot be mustered. Raising revenues is always politically charged, but it is critical that everyone understand that more revenue is truly necessary, along with additional spending cuts, to avoid catastrophic cuts in education, public safety, and basic health care.



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So this is a tough problem to handle, and there is no shame in allowing the people of Arizona to decide. When presented with an honest and fiscally conservative plan to balance the budget, I have great confidence that voters will provide their approval.

President Abraham Lincoln once astutely advised,

"The dogmas of the quiet past are inadequate to the stormy present. As our case is new, so we must think anew, and act anew."

And President Franklin D. Roosevelt once said,

"It is common sense to take a method and try it; if it fails, admit it frankly and try another. But above all, try something."

These are two giants of America's respective political parties that bring a primary yet passionate message that is truly American: be bold and be creative, but above all, act.

An important result of building a sustainable budget can and must be a new focus on economic growth and opportunity.

To do this, we need a world-class education system from Pre-K to graduate school. To date, I have held the line on massive cuts to our K-12 education system. And I intend to use my exclusive authority as Governor to maximize the use of federal stimulus funds to best help maintain education funding.

With regards to higher education, last month I made a decision to focus the universities' share of federal stimulus dollars on mitigating the impact of tuition increases and to spread the funds over two years. This action directly helped avoid the large tuition rate increases that had previously been proposed and likely necessary.

Perhaps more importantly, I called upon the regents and university presidents to utilize their impressive skills, experience, and talents to develop a sustainable business model for Arizona's higher education system.

Specifically, I have requested the development of a new business model that results in a tuition structure that is more accountable, more predictable, and of course affordable to taxpayers, parents, and our students.

The fact is, Arizona lags behind other states in the percentage of its population that holds a four-year degree: only 25% of Arizona adults over the age of 25 have attained at least a bachelor's degree, compared with the national average of 28%.

I have great confidence that the Regents will provide for me a thoughtful proposal this fall, and together we can begin to implement the new model and help prevent a funding cliff looming just over the budget horizon.

There is no question that economic prosperity in Arizona cannot be achieved without quality health care that families, businesses – and our state government – can afford.

With that in mind, we are watching very closely as the federal government proposes new plans to deal with this issue, but many critical steps can be taken to help protect families and the sick, as the federal debate ensues:

- The Legislature and I have restored cuts in childcare services for low-income families, providing support that allowed many Southern Arizona residents to continue working.
- I recently signed legislation that restores previously eliminated funding for hospitals, preserving a critical safety net for many Southern Arizona and particularly rural area residents.

- And I worked with the Legislature to make statutory changes necessary to accept and receive \$1.8 billion in federal stimulus funding for the AHCCCS program, which will play a big part in balancing the state's budget and preventing deeper cuts to other programs.

New federal stimulus funding in the areas of energy grants and weatherization are now also well underway.

And millions of dollars in federal transportation stimulus, or the so-called "shovel ready projects", has been approved by the State Transportation Board and certified by me.

At least \$50 million will flow to Pima County alone in identified shovel ready projects, including some road widening, pavement preservation, and bridge deck rehabilitation.

My office will continue to spend the countless hours necessary to account for these dollars, to prevent fraud and abuse, and to get necessary funding into the hands of the private sector where they can be best utilized for the purposes for which they were intended.

Public safety must also remain one of the top priorities of your government. I'm sorry to say that Arizona continues to shoulder the burden of a weak federal border control policy.

Added to this, the unpaid bills of the federal government are huge and are growing. Pima County in particular is saddled with millions of dollars in health care and public safety costs as a result of the federal governments unpaid bills.

Just last week, President Obama proposed a \$400 million cut to the funds that provide a small reimbursement to state and local governments for the cost of what should be federal incarcerations (SCAAP dollars).

I have personally spoken to President Obama about this and asked that he re-review his plans to eliminate the so-called SCAAP funds.

Even my predecessor regularly sent unpaid invoices to Washington, DC, yet these costs are still going up.

Back here at home, we're also focusing on making Arizona a better place for businesses to do business.

In all of my 27 years as an elected official, I have worked to reduce over-regulation of business, and to allow our free enterprise system to flourish with the least amount of necessary red-tape.

Friends, I will not waiver in that approach, and I will continue to vigorously root out old or unnecessary bureaucratic regulations that impede employers from growing jobs and that prevent employers from re-locating to our beautiful state.

It was my first act as Governor to freeze and evaluate the burden of state government regulations, and we will continue to review new rules and new regulations through the clear optics of our challenging new economy.

So, in summary, I have had a very busy and productive first four months as Governor of the State of Arizona.

I have already implemented the largest reduction in state government spending ever in the history of our state.

I have applied for and have begun to receive and disseminate the largest influx of federal funds in Arizona history, and intend to maximize the impact of those dollars on Arizona jobs and help ensure their proper use.

We have called for more Arizona National Guardsmen at our border, to assist federal agents in the responsibility to protect our border. And we have proposed a comprehensive and balanced approach to solving our state's budget crisis.

As you can see, it has been a very busy first four months, and we are just getting warmed up!!

Thank you all very much, and may God richly bless the State of Arizona.

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